



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 10, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **MEXICAN AMERICAN OPPORTUNITY FOUNDATION CONTRACT –
DEPARTMENT OF COMMUNITY AND SENIOR SERVICES
WORKFORCE INVESTMENT ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Mexican American Opportunity Foundation (MAOF or Agency), a Department of Community and Senior Services (Department or DCSS) Workforce Investment Act (WIA) program provider.

Background

DCSS contracts with MAOF, a private non-profit organization to provide and operate the WIA Youth and Foster Youth Special Needs Programs. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. The WIA Foster Youth Special Needs Program is a comprehensive training and employment program for foster youths with special needs ages 14 to 18 years old. MAOF is located in the First District.

MAOF is compensated on a cost reimbursement basis. MAOF's contract for Fiscal Year 2006-07 was for \$171,840.

Purpose/Methodology

The purpose of the review was to determine whether MAOF complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Overall, the MAOF provided the services in accordance with the County contract. The Agency maintained appropriate documentation to support the participants' eligibility to receive program services. The four program participants interviewed stated that the services they received met their expectations. The Agency also completed monthly bank reconciliations for the Agency's bank account. However, the bank reconciliation reviewed listed 47 checks totaling \$16,034 that were outstanding for over ten months. MAOF also billed DCSS \$375 in security services for a location where WIA services are not provided and did not follow their Cost Allocation Plan to allocate expenditures.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with MAOF on July 27, 2007. In their attached response, MAOF disagreed with three of the eight recommendations. For recommendation number 2, the Agency explained that some of the outstanding checks related to another program but agreed to review and clear the outstanding checks timely. For recommendations number 4 and 8, we explained the basis for our recommendations and in instances where the Agency provided additional documentation, we adjusted our report accordingly.

We notified DCSS of the results of our review and thank MAOF for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia Banks, Director, Department of Community and Senior Services
Martin Castro, President and CEO, Mexican American Opportunity Foundation
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
MEXICAN AMERICAN OPPORTUNITY FOUNDATION
FISCAL YEAR 2006-07**

ELIGIBILITY

Objective

Determine whether Mexican American Opportunity Foundation (MAOF or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for 14 (52%) of the 27 program participants that received services between January and November 2006 for documentation to confirm their eligibility for WIA program services.

Results

All 14 participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 14 (52%) participants that received services during January through November 2006. We also interviewed four participants/guardians.

Results

All four participants/guardians interviewed confirmed that the services they received met their expectations. However, MAOF did not accurately update the program activities for

three (21%) of the 14 participants on the Job Training Automation (JTA) system. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This issue was also noted in the prior year's monitoring report. Subsequent to our review, MAOF updated the program activities for the three participants.

Recommendation

- 1. MAOF ensure that staff accurately update the JTA system to reflect the participants' program activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliation for October 2006.

Results

MAOF maintained adequate controls to ensure that revenue is properly recorded and deposited in a timely manner. However, as of October 2006, 47 checks totaling \$16,034 were outstanding for over ten months. The issue of aged outstanding checks was also noted in the prior year's monitoring report.

In addition, the bank reconciliation was not dated by the preparer or the reviewer.

Recommendations

MAOF management:

- 2. Resolve reconciling items timely.**
- 3. Ensure that bank reconciliations are dated by both the preparer and the reviewer.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 61 (56%) of 109 non-payroll expenditure transactions billed by the Agency for September and October 2006, totaling \$6,828.

Results

MAOF's expenditures were allowable, properly documented and accurately billed to the WIA program.

Recommendation

There are no recommendations in this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as cash, expenditures, payroll and personnel.

Results

MAOF maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

The objective of this section is to determine whether MAOF's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as MAOF did not use WIA funds to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed the payroll expenditures totaling \$7,820 invoiced for all four employees for October 2006 to the Agency's payroll records and time reports. We also interviewed one employee and reviewed the personnel files for the four employees assigned to the WIA program.

Results

MAOF appropriately charged payroll expenditures to the WIA program. In addition, MAOF's personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether MAOF's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in September and October 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

MAOF billed two staff's wages based on an allocation method not identified on MAOF's Cost Allocation Plan. During our review, MAOF management provided a floor plan to support the two indirect staff's wages. However, the Cost Allocation Plan provided states that the Agency uses an indirect cost allocation method based on modified total direct cost. In addition, as indicated below in the close-out review section, MAOF did not allocate the costs shared between two WIA programs.

Recommendation

4. MAOF management allocate their expenditures based on the Cost Allocation Plan.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciles to the Agency's financial accounting records.

Verification

We traced and agreed the Agency's FY 2005-06 final close-out invoice submitted to DCSS, which summarizes the total program expenditures for the fiscal year, to the Agency's total WIA program expenditures on their general ledger and reviewed a sample of expenditures incurred in June 2006.

Results

MAOF billed DCSS \$375 in security services for a location where WIA services are not provided. In addition, purchases of supplies totaling \$1,065 were charged entirely to the WIA Youth program and the supplies were for both WIA programs. MAOF also did not obtain three documented quotations for purchases over \$1,000 as required by WIA guidelines.

Recommendations

MAOF management:

- 5. Repay DCSS \$375.**
- 6. Ensure that expenditures are charged to the appropriate program.**
- 7. Comply with the County and WIA procurement guidelines for goods and services.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued in September 2006.

Results

The prior year's monitoring report contained 12 recommendations. MAOF implemented ten (83%) of the 12 recommendations. As indicated earlier, the two outstanding recommendations requiring reconciling items to be resolved timely and the JTA system to be updated were also noted during our monitoring review.

Recommendations

- 8. MAOF management implement the outstanding recommendations from FY 2005-06 monitoring report.**



August 24, 2007

J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
500 West Temple Street
Los Angeles, California 90012

Re: Mexican American Opportunity Foundation, Workforce
Investment Act Program, Program Year 2006-2007

The Mexican American Opportunity Foundation (MAOF) responses to the Program
Contract Review draft report are as follows:

BILLED SERVICES/CLIENT VERIFICATION

MAOF agrees with recommendation no 1. MAOF staff has updated JTA system of the three participants and proof was faxed to Susan Kim from the Department of Auditor-Controller. MAOF staff will be attending a training seminar on WIA Job Training Automation System Client Forms provided by Community and Senior Services to ensure MAOF does not recur on the same finding in future monitoring reviews.

CASH/REVENUE

MAOF disagrees with recommendation no 2. MAOF's reconciling item of \$35,928 involves outstanding checks which are not related to the Workforce Investment Program. The reconciling item is most closely related to the Child Care and Development Programs. Historically, payments made to child care providers under the Child Care Program remain outstanding for more than three months.

To ensure that all reconciling items in the bank reconciliation are reviewed and cleared promptly, a senior accountant has been given the responsibility to supervise the recording of all reconciling items. Independent verification will be performed by the Finance Manager and Director of Finance to ensure timely clearing for all reconciling items.

Date: August 24, 2007
Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division

Re: Mexican American Opportunity Foundation, Workforce
Investment Act Program, Program Year 2006-2007

CASH/REVENUE (continued)

MAOF agrees with recommendation no. 3. The approver shall have the responsibility of verifying that the completed bank reconciliation is dated by the preparer, reviewer and approver. Independent verification will be performed by the Finance Manager and Director of Finance to ensure that the bank reconciliation is dated.

COST ALLOCATION PLAN

MAOF disagrees with recommendation no. 4. MAOF's allocates its expenditures based on the 2006-2007 cost allocation plan. Under Section V. No.2, the cost allocation plan specifies that salary costs that are identifiable to a specific grant(s) and benefit the program are direct costs. The direct costs are then allocated to benefiting programs based on square footage occupied by the benefiting programs.

MAOF does not use a square footage allocation base to allocate indirect support staff's payroll to applicable programs. The based used by MAOF to allocate indirect support staff's payroll to applicable programs is modified total direct costs. For the cost of the switchboard-operator, a time sheet will be used to record on a daily basis the time that was spent providing support to the benefiting programs.

MAOF will prepare and send a check for \$375.00 for expenses paid during FYE 2007 for security costs for a facility where no WIA services were provided.

Date: August 24, 2007
Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division

Re: Mexican American Opportunity Foundation, Workforce
Investment Act Program, Program Year 2006-2007

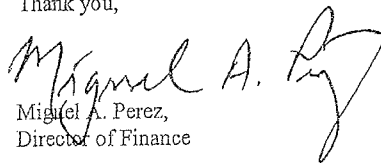
CLOSE-OUT REVIEW- (FYE 2005-2006)

MAOF agrees with recommendation no. 5, 6 and 7. MAOF will prepare a check for \$375 to reimburse for the cost of security. Internal controls are in place to ensure that costs charged to a program are valid, complete, accurate, and accounted for in the correct period. Additionally, WIA procurement guidelines for the procurement of goods and services have been incorporated into MAOF's existing procurement standards. MAOF will reinforce through counsel of the finance staff about the importance of compliance with existing internal control procedures.

PRIOR YEAR FOLLOW-UP

MAOF disagrees with recommendation no 8. The two outstanding recommendations have been implemented during the fiscal year June 30, 2007. The aged balance for outstanding checks on the June 30, 2007 bank reconciliation is six months or less which is in accordance with company policy. Additionally, MAOF has updated the program activities for the three participants on the Job Training Automation system.

Thank you,


Miguel A. Perez,
Director of Finance

cc: Martin Castro, President/CEO, (MAOF)
Enrique Aranda, Director of Operations, (MAOF)
Maricela Covarrubias, Program Manager, (MAOF)